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1 message

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Assessments fall, but property taxes likely to rise anyway

By BRETT ROWLAND - browland@nwherald.com

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[PHOTO] Charles Fay and Carl Smith, residents of the Sonatats subdivision in Woodstock, stand outside Fay's single family home Thursday. Fay and Smith help residents of the subdivision challenge the tax assessment of their homes. (Stephanie Janisch – sjanisch@nwherald.com)

Even as home prices decline, tax bills are likely to increase this year. As assessment notices are published for townships, taxpayers have many questions – and complaints – about the process. Township assessors are busy answering those questions and preparing for a record number of property assessment appeals. Many believe that because their home is worth less, they will see a corresponding decrease in property taxes.

But that's not the case.

"A reduced assessment cannot guarantee a reduced tax bill," said McHenry Township Assessor Carol Perschke. "I could cut assessments in half tomorrow and tax bills wouldn't go down."

That's because revenue to local taxing bodies, such as schools and municipalities, is propped up by the Property Tax Extension Limitation Law. The "tax cap" law limits the annual increase in property tax revenue that governments can receive to either the rate of inflation or 5 percent, whichever is less.

Inflation, which is measured by the consumer price index, is set at 2.7 percent this year. As a result, most taxing bodies are requesting at least that much more money for next year. That means taxpayers will be paying more even if prices continue to fall. In fact, the tax rate increases as property values decrease.

"The tax caps put in place by the Property Tax Extension Limitation Law offer the taxpayer protection from uncapped or rapidly escalating property taxes," said McHenry County Chief Assessment Officer Robert Ross. "However, due to PTELL, tax districts are afforded inflation-based increases tied to the CPI for their budgets."

The tax cap disconnects the revenue of taxing bodies from the real estate market, said Algonquin Township Assessor Robert Kunz Jr. Without it, a school district's property tax revenue would have gone

up by 10 percent per year when the market was booming – regardless of whether the school district's expenses went up that much.

"The price of pencils is more relevant to the needs of taxing bodies than the price of homes," Kunz said.

Many property assessments have been lowered. In Algonquin Township, the county's largest, 2010 assessments overall fell about 9 percent, Kunz said. Nonetheless, more and more people are challenging assessments hoping to get lower tax bills.

Charles Fay, 65, of Woodstock, has challenged his assessment for the last five years. Fay, who is in the antique and leather restoration business, isn't against taxes. His problem is with the way assessments are done.

"I'm more than willing to pay my fair share, but it's got to be fair," Fay said.

He readily helps his neighbors do the same, guiding them through the appeal process. Last year, he assisted 38 people. This year, it was 52.

Last year, the number of appeals in Algonquin Township increased threefold for a total of about 1,600, Kunz said. This year, he's preparing for three times as many, an estimated 5,000 to 6,000.

Such a large number of appeals strains the system.

"It makes for a very messy process," Kunz said.

McHenry Township handled about 450 appeals in 2009. This year, it has handled about 650. An uptick in the number of people refinancing mortgages may be one reason for the increase in appeals, Perschke said.

Generally, when a bank refinances a home, an appraisal is done to determine the value of the property for collateral purposes. Homeowners have brought such appraisals to Perschke's office asking why the assessed value is different.

"I get repeated questions about that," she said.

Assessments are based on a three-year average. For example, 2010 assessments are based on the average of comparable home sales from 2007, 2008, and 2009. An appraisal done in October 2010 is going to be different, in most cases, than the three-year average, Kunz said.

The ease of filing an appeal might be another reason for the increase, Perschke said.

Assessment notices sent out by the county explain how to appeal the assessment. The McHenry County website, www.co.mchenry.il.us, also has information about the process.

"It's not rocket science," Fay said. "But you should be prepared."

Successful appeals, which lower a property tax bill, don't take money away from local taxing bodies. The difference is made up by other taxpayers in the district.